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As I see

THE HIGH COST OF LOW-COST HOUSING

IN Tucson, Arizona, several weeks ago the question of public housing for the city was brought before the City Council. The leading newspaper in Tucson opposed it on the grounds that housing of this type was not needed in that section of the country. The editorials were well thought out and well expressed, with one exception - they referred to government housing as "low-cost government housing." As I was vacationing in Tucson I called on the editor of the paper and commended him on his editorials, but also told him that I thought this phrase was poorly selected, as government housing is never low-cost housing but is high-cost housing subsidized by the taxpayer. He immediately agreed and I am certain that in any future articles that he writes, government housing will not be described in this way. (The City Council of Tucson voted unanimously against public housing.)

Unfortunately, many opponents of government-subsidized housing are referring to it in the same fashion - as low-cost housing. A short time ago one of the best-known Washington newsletters referred to it in the same way. After we called it to the attention of the editor, we received a letter in reply, stating that the same mistake would not be made again. We are taking every opportunity of calling attention to this unfortunate phrase each time we see it used.

The widespread use of this term in my opinion did not come about by accident. The subtlest and often the most effective propaganda sometimes purposely confuses descriptive terms. This is generally so cleverly done that the propagandist, when pressed, can find some explanation which will at least partially justify the terms used. Public housers would naturally like to have the public believe that government housing is low-cost housing. It is "low-cost housing" to the subsidized tenant. They do not explain that it is actually high-cost housing requiring a high rental, a large part of which is paid in subsidies by local and national taxpayers.

The high cost of "low-cost government housing" is easily ascertainable. Hundreds of pages of testimony have been presented before congressional committees, and this is a part of the public record. Even Senator Taft, in a congressional hearing, said: "I have not any doubt that as a general thing it probably is more expensive and usually does cost the government more to build than a private person."¹

The high cost of government housing is not a new phenomenon. It has been true

¹ U. S. Congress, Senate, Housing and Urban Redevelopment, Hearings before Subcommittee on Housing and Urban Redevelopment, 79th Congress, 1st Sess., p. 2100.

for practically all projects which have been built since the entrance of the government into the housing field. Back in the 1930's when construction costs were unusually low, the government went into a number of housing experiments promoted and advertised widely by the Administration. One of these was Arthurdale, on which \$2,679,000 was admittedly spent. As far back as 1942, Nation's Business reported the failure of the project and that it was to be sold to the present tenants for \$175,000 on the installment plan. Nation's Business reports that over a million dollars worth of advertising was spent on Arthurdale. It also reports that in a number of cases buildings were built, torn down and rebuilt five or six times for lack of an adequate plan.

Three months ago the village of Greenhills (13 miles from Cincinnati), one of the Greenbelt experiments in model town planning launched by the government in the 1930's, was sold to a non-profit organization comprised primarily of its present tenants. This project was built in 1937 when building costs were low at a cost of \$11,500,000, including land. In spite of the tremendous increase in real estate values since 1937, the selling price in 1949 was \$3,500,000, with a down payment of only \$351,580 and the balance covered by a 25-year mortgage at 4% interest. A drop in value of 70% in this government-built project in a 12-year period is quite striking when compared with the increase of 71% in the selling price of typical privately-built residences in the same period. It certainly indicates that the project was not worth what it cost at the time it was built. Public housers will make excuses for these early failures on the grounds that they were built by other departments of the government. They claim also that they have learned much from the early failures and that the record on present buildings will be much better.

In March 1945 the National Industrial Conference Board published a study - Public Versus Private Housing. In this report housing projects built in Washington, D. C., were studied in detail in an attempt to find their actual cost. This cost was compared with the cost of buildings built under private initiative during the same period which were most similar in general design and materials. Quoting from the summary of the report, we find this statement: "Construction costs of private builders, on the basis of evidence submitted, are substantially lower for low-rental dwellings than comparable units built under public direction."

Last year in testifying before a subcommittee of the Senate, Rodney M. Lockwood, then first vice president of the National Association of Home Builders, said:

"... Here is some of the most significant language in this portion of the bill. At the present USHA per room cost limit on public housing is \$1,250 excluding land. This bill increases it to \$2,500 per room, exclusive of land, demolition and non-dwelling facilities (\$3,250 per room in Alaska). When compared to FHA standards for private builders of rental housing under section 608, this discloses the excessively high construction costs contemplated in public housing. Under FHA section 608 the mortgage to private builders cannot exceed \$8,100 per unit (regardless of the number of rooms) on a 90 percent basis.

* Assuming a typical unit of four and one-half rooms (two bedrooms, living room, dining room, and kitchen) private builders are assumed by FHA to be able to produce on an economic basis for \$9,000 per unit including land and all other expenses, but public housing is contemplated to cost up to \$11,250 for such units, exclusive of land and administration expenses. Adding the price of land to public housing the over-all cost could easily go up to \$15,000 per unit as compared to

\$9,000 for the typical private unit for moderate-income families.

"This is an admission in the bill itself that public housing has no economies to offer and, in fact, its costs are far higher than private enterprise. It is an admission that the public housing rents charged, if on an economic basis, would have to exceed private rents, and that the only way such housing can be made low-rent housing is by 'pumping in' the huge subsidy of \$445,000,000 a year called for by this bill, plus the local waiver of taxes.

"... A total of 1,050,000 dwelling units would be authorized to be built in the years 1949 through and including 1955 at the rate of 150,000 units per year with permission in the President to increase this by an additional 100,000 units in any one year. The maximum possible per year would be 250,000 units or approximately 25 percent of the total housing production in this country last year. Note that the Federal subsidy alone would be approximately \$17,000 per unit, or \$37 per month per family, which is \$7 per month more than the median monthly rent of \$29.33 per unit for the fifteen million odd rental units in this country owned by private enterprise. In addition, of course, the local taxpayers would subsidize these units by waiver of taxes on public projects."²

In hearings before a House committee last year, Thomas S. Holden, president of F. W. Dodge Corporation, said:

"When it comes to direct intervention in housing production, government can inflate costs, can conceal costs, can pass excessive costs on to the taxpayers, it cannot reduce costs.

"According to a recent report of the United States Bureau of Labor Statistics, the average construction cost of new privately financed nonfarm dwelling units started in the United States in the first 9 months of 1948 was \$7,640, whereas the average publicly financed unit cost was \$9,350. The difference may reflect generally higher standards in the publicly financed units.

"Cost limits imposed in this bill for subsidized public housing units could permit expenditures as high as \$9,500 for a 3-1/2 room unit, including land costs. Currently, the Housing and Home Finance Agency is spearheading a drive for production by private homebuilders of economy houses, to be sold with lots at \$6,000 to \$8,000.

"Published figures on costs of public housing projects never include the overhead administrative costs of the Public Housing Administration in Washington, of its many regional and field offices, or of the local public housing authorities. Such administrative costs are very high. Senator Harry F. Byrd, of Virginia, has estimated that the average overhead cost of administering Federal grants-in-aid is 15 percent. Many programs cost more."³

² U. S. Congress, Senate, General Housing Legislation, Hearings before Subcommittee of the Committee on Banking and Currency, 81st Congress, 1st Sess., pp. 550-551.

³ U.S. Congress, House of Representatives, Housing Act of 1949, Hearings before Committee on Banking and Currency, 81st Congress, 1st Sess., p. 458.

In speaking before the same committee, James P. Bourne of Louisville, Kentucky, commenting on the high cost of government housing, said:

"... our so-called underprivileged families who are to benefit from public housing are going to end up living in homes costing from \$12,000 to \$15,000. Is it economic for the Government to build houses at substantially higher prices than paid by 80 percent of the people who bought their own homes last year? While this is not intended to be facetious, I cannot help stating that this sounds to me like giving sirloin steaks to unfortunates in a bread line. We believe that construction costs for public housing should certainly be no greater than Federal Housing Administration's limits on private rental accommodations."⁴

Mr. Bourne also pointed out that after the taxpayers' money is spent for these high-cost "low-cost government housing units," in many instances the tenants are not those who should receive government aid:

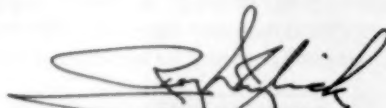
"Then locally, like in Louisville, the housing manager, his secretary, many other employees, certain favored friends and politicians get in the projects. In Louisville we have knowledge of such public housing tenants as a night club owner, a large hotel's assistant manager, at least one registered nurse, a race horse owner, a dairy sales manager, a factory worker who has a tavern, a farm owner, and similar people, many of whom have sufficient money to actually be constructing or planning to build new homes of their own.

"With these people enjoying subsidies at the taxpayer's expense, then the need is cited for more 'low-cost public housing.' We think that before you consider expanding this program, you might thoroughly investigate the operation of existing projects and possibly Louisville would be a good place to begin."⁵

This contention of Mr. Bourne was substantiated by other testimony before the Senate Committee, as follows:

"... Public housers claim that public housing is for the poor and needy. The most needy and the poorest have not been allowed in public housing. This language specifies that the Public Housing Agency shall not discriminate against families '... because their incomes are derived in whole or in part from public assistance.' Even in theory this rule will only give welfare families an even break with those far less deserving. In actual practice and from experience it is known that welfare families are not admitted. In Washington, D. C., one impartial survey showed that out of 4,000 families on relief only 47 were permitted in public housing."

In view of the foregoing, let's not call government-subsidized housing "low-cost housing."



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⁴ Ibid., p. 366.

⁵ Ibid., p. 368.